



National College for  
School Leadership

[www.ncsl.org.uk](http://www.ncsl.org.uk)

# Annual Report and Accounts

# 05/06



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# The Report

**The National College for School Leadership (NCSL) was officially launched by the Prime Minister in November 2000. It is a company limited by guarantee and a non-departmental public body.**

## Our purpose

The National College for School Leadership (NCSL) exists to help make a positive difference to the lives and life chances of children and young people through the development of world-class school leaders.

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*“Strong leadership within schools is not a set of abstract principles. It’s the things school leaders do every day which make a difference to children’s lives.”*

Jim Knight, Minister of State for Schools, 2006

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*“If we want to get our school system right in Britain we need the right leadership – that’s absolutely critical”*

Tony Blair, Prime Minister

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## Our mission

The National College for School Leadership was established to:

- provide a single national focus for school leadership development and research
- be a driving force for world-class leadership in our schools
- be a provider and promoter of excellence, a major resource for schools, a catalyst for innovation
- be a focus for national and international debate on leadership issues

## Introduction

2005-06 has been a year of challenge and change for the National College for School Leadership. It has marked the beginning of a new era in the College's life.

This year has been about reaching out to school leaders to ensure that we continue to focus on the things that really matter to them.

We have:

- consulted with more than 2,000 school leaders and stakeholders to identify the challenges facing them and the key issues and priorities for the College
- used this to develop a new corporate plan with four key goals:

**Goal 1** Transform children's achievement and well-being through excellent school leadership

**Goal 2** Develop leadership within and beyond the school

**Goal 3** Identify and grow tomorrow's leaders

**Goal 4** Be a fit-for-purpose, national College

- introduced a balanced scorecard of targets so that we can clearly demonstrate our impact
- moved strongly towards the commissioning out of College programmes so that they can become more flexible and responsive to the different needs and contexts of school leaders

- restructured the College's leadership team to help create a fit-for-purpose College

The College is now more outward facing – listening and responding to the views and concerns of all school leaders so that we can better serve their needs and so that they can truly feel that this is their College, a national College working for them.

We continue to build effective relationships with other key stakeholders, such as the Department for Education and Skills, Training and Development Agency for Schools, the Specialist Schools and Academies Trust, National Strategies and professional associations, demonstrating our commitment to working collaboratively with others in pursuing our goals.

We are strongly focused on our core business – leadership development in schools – helping existing school leaders to experience the very best development opportunities and ensuring that we grow the next generation of high quality school leaders. No other place in the world is developing school leaders on such a scale.

We are still the leading centre in the world on school leadership with an outstanding international reputation, drawing on the best research to inform the advice we provide to ministers and building programmes that are up-to-date and leading edge, but practical and pragmatic.

Our balanced scorecard commits us to being transparent and accountable. We want to be measured by our results and welcome challenge where this can help us to grow and improve and ensure that we make a positive difference; number one on the list is our impact on pupil attainment.

Few tasks can be more important than improving school leadership, since it has such a powerful impact on learning and children's life chances. Much has been achieved this year and we feel confident that we are better placed than ever before to meet the significant challenges that still lie ahead. There is still much to do if we are to improve the quality of leadership and management within and across schools to provide the education our children and young people deserve. But we have made a significant start.



**Vanni Treves, Chair**



**Steve Munby, Chief Executive**

## Goal 1: Transform children's achievement and well-being through excellent school leadership

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*"Strong leadership, good teaching and excellent communication... are critical to a school's effectiveness ...a sense of moral imperative and high ambition characterises the work of successful schools in all circumstances. It is particularly notable in headteachers who believe that their pupils can and must succeed."*

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HMCI, 2005

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Effective school leadership is at the heart of improved performance in schools. Over the past year, to enhance leadership effectiveness and make a positive difference to children's lives, we focused on:

- offering flexible options to suit different needs by:
  - personalising our provision so that it meets the different needs of school leaders and provides more choice and flexibility
  - creating opportunities for contextualising provision to reflect the diverse range of schools and local circumstances
  - ensuring provision remains innovative, dynamic and leading edge by drawing on research, policy and next practice
- continuing to provide development and support to help school leaders be better leaders

### Offering flexible options to suit different needs

This year, we developed our **Leading from the Middle** programme to make it available through collaborative school groups – 20 per cent of all participants now have a more contextualised learning experience as a result of this change. The leadership focus work that middle leaders undertake on this programme shows that the experience is making a positive difference to their performance.

We have developed localised **Established Leader** programmes to address the needs of senior leaders working in three contexts – coastal, rural and Catholic schools.

**Leadership Pathways**, our new personalised modular programme for senior leaders was successfully piloted this year. The programme is designed to provide a high degree of flexibility and also offers discrete opportunities for under-represented groups, for example, leaders from black and minority ethnic groups and women.

We supported the **Black Pupils' Achievement** programme by devising and delivering a leadership experience for teachers participating in this project. School leaders from around 90 secondary schools, local authority personnel and National Strategies colleagues worked with us to consider leadership issues relating to black pupils' achievements and to find positive ways of addressing these, drawing and building on experiences from across England.

There have been significant developments this year to the **National Professional Qualification for Headship (NPQH)**, including the introduction of an online module for the leadership of extended schools, the focus on two entry routes only and revisions to the residential programme to take account of the current policy agenda. We have also worked closely with the Department for Education and Skills and our partners to update the programme in line with the revised National Standards for Headteachers. Recruitment to NPQH continues to be high; around 5,000 participants registered for the programme in 2005-06.

It is clear that the role of school leaders is changing. In light of this, we have started to review the future design of NPQH. This review is hugely significant and central to our work on succession planning. We have been developing our intelligence base through a series of national and international seminars before beginning the process of consulting with the profession in autumn 2006. The redesigned NPQH will be launched in spring 2008.

Recruitment to our **Headteacher Induction Programme (HIP)** achieved record levels this year, with over 1,500 newly appointed heads taking up the personalised learning opportunities that the programme offers. To make the programme more flexible and responsive to the needs of new headteachers and increase its impact, we have commissioned providers to deliver our new Early Headship provision.

This will replace HIP from September 2006 and includes, as a core element, the highly successful New Visions programme, as well as offering a wider choice of other learning options.

To support the achievement of personalisation, contextualisation and localisation of provision, we have been seeking to grow the market of potential providers by commissioning out the design and delivery of our major national programmes. As well as increasing choice and flexibility for school leaders, the commissioning process has also been designed to ensure value for money. The first programmes to be commissioned out include Leading from the Middle, Leadership Pathways, Early Headship provision and development opportunities for experienced serving headteachers.

### Providing development and support to help school leaders be better leaders

We maintained reach and engagement across all of our programmes this year.

Our **Leadership Programme for Serving Headteachers (LPSH)** supports heads in analysing and understanding the essential characteristics of leadership and how they as individuals impact on their schools. Feedback tells us that heads who complete the programme feel more able to play an active and strategic role in school and system reform and in promoting greater personalisation and choice. Nearly 900 heads enrolled on the programme this year.

Take up of our team programmes, **Working Together for Success** and **Developing Capacity for Sustained Improvement**, was particularly strong in some regions and the **London Leadership Strategy (LLS)**, using consultant leaders, again demonstrated a positive link between engagement in our programmes and pupil outcomes at key stage four. This was seen in both the schools requiring additional support and the consultant leaders' own schools. In a recent evaluation report by Peter Matthews, he concluded that: "Although it is difficult to prove a causal link between the work of consultant leaders and improvements in quality and standards, qualitative and quantitative findings all point towards a positive association."

Building on the success of the London Leadership Strategy, we extended these concepts beyond London and worked with colleagues in Bristol to support building capacity in both secondary and primary schools.

Developing system leaders – leaders who can think and act beyond their own schools – has been a key focus of development opportunities for experienced headteachers. Consultant leaders supported our work in both London and Bristol and gave experienced school leaders the opportunity to impact on the education system by sharing their knowledge and skills more widely.

## Key points

### In 2005-06:

- 5,891 school leaders started Leading from the Middle
- 4,949 school leaders registered for the National Professional Qualification for Headship (NPQH), exceeding our target of 4,500 and taking total registrations to 25,968 since the programme started
- 4,400 people graduated from NPQH, bringing the total to 14,680 since NCSL took over the programme
- over 1,500 heads enrolled on the Headteacher Induction Programme (HIP)
- nearly 900 heads enrolled on the Leadership Programme for Serving Headteachers (LPSH)
- nearly 200 school leaders enrolled on Consultant Leaders
- 370 heads took part in the International Placements for Headteachers programme, exceeding our target of 350

### and

- in primary schools the quality of leadership and management judged excellent remained steady at 27 per cent, while the percentage judged unsatisfactory decreased from five per cent to four per cent
- in secondary schools the percentage of schools judged excellent for the quality of their leadership and management rose from 29 per cent to 30 per cent and those judged unsatisfactory dropped from eight per cent to five per cent
- some 56 per cent of pupils achieved the national target of five or more grades A\*-C at GCSE or equivalent. This represents an increase of more than two per cent



## Goal 2: Develop leadership within and beyond the school

If we are to make more rapid progress towards a world-class educational system and reduce the number of underachieving schools, we need to get more schools and school leaders to drive improvement – not just in their own schools but in other schools.

This year we focused on:

- developing leadership at all levels so that more school leaders can work beyond their schools
- enabling excellent leaders to share their expertise
- finding the best people to fit the most challenging roles

### Developing leadership at all levels

To enable more schools to become outstanding schools, we have to develop ways of sharing learning and distributing leadership within and between schools.

This year we provided a range of initiatives for developing **emerging and middle leaders** so that they can step forward and take on new responsibilities and challenges. This in turn will free up headteachers and other key leaders to work both within their own schools and in support of others.

As part of the school remodelling process, we continued to deliver our highly successful **Bursar Development** programme. During 2005-06 nearly 1,400 bursars started the Certificate in School Business Management programme and 350 started the Diploma. Many bursars now have a strategic management role in school leadership teams, freeing up teachers to teach and headteachers to focus on being leaders of learning in their own schools, as well as influencing the performance of other schools.

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*'... we see our bursar as part of the management team in school... she is very involved with governors and external agencies, looking after the wider areas of finance, computer administration, the premises... that frees up the deputy head and the assistant head to concentrate on the educational side'*

Headteacher

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Increasingly, our education system needs leaders and leadership teams who have the imagination, creativity and inspiration to lead transformation and change both within their own school and beyond. The continued development this year of the **National Professional Qualification for Headship (NPQH)** and the planned review of its design are fundamental in ensuring that future leaders have the skills they need to meet these new challenges.

### Enabling excellent leaders to share their expertise

We have continued to offer a range of programmes designed to equip school leaders with the skills needed to lead, challenge and support their peers.

Our **Consultant Leaders** programme harnesses the talents of the best school leaders at all levels by building on their strengths, skills and expertise to enable them to support other school leaders as agents for change and improvement, both within and beyond their own institutions. Goal one describes some of the ways in which consultant leaders have worked with schools and school leaders in London and Bristol to improve performance.

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*'improved skills of the leadership team, particularly in relation to focusing on raising standards in classrooms, demonstrate how the project has begun to enhance the leadership capacity in the schools.'*

Bristol Primary Head/Birmingham Consultant Leaders Project 2006

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Working in partnership with the Primary National Strategy, the **Primary Leadership** programme engaged a further 3,400 schools in 2005-06, making a total of nearly 11,000 primary schools which have been involved in the programme since 2003. A key element of the programme is the support provided to each school by a primary strategy consultant leader (PSCL).

Various evaluations indicate that the Primary Leadership programme has made a very positive impact on both the quality and effectiveness of collaborative leadership in participating schools, and has contributed to a significant improvement in KS2 test results in English and mathematics.

Since March 2005, we have been working in partnership with the National Strategies to accredit **school improvement partners (SIPs)** for deployment by local authorities. A school improvement partner acts as a critical professional friend to a school, helping to evaluate its leadership performance, identify priorities for improvement and plan effective change. The role focuses on building the school's capacity to improve the attainment of pupils.

During autumn 2005, the first wave of SIPs was rolled out to secondary schools, along with an extended pilot of SIPs in a small number of primary schools. In line with the Department for Education and Skills' (DfES) aim of ensuring that every secondary school has a SIP by September 2006 and every primary school has a SIP by January 2008, we plan to accredit 500 secondary and 2,200 primary SIPs during 2006-07.

Our **Strategic Leadership of ICT (SLICT)** programme focuses on the strategic role of headteachers in leading and developing ICT in schools. Developed and delivered in partnership with Becta and the Specialist Schools and Academies Trust (SSAT), the programme helps school leaders to build their knowledge and understanding of how technology can enhance and extend learning both in and out of schools.

At the end of an initial three-year period, we achieved our target of improving the skills, knowledge and understanding of some 10,000 school leaders in the strategic leadership of ICT. We also developed and piloted SLICT to 1,000 middle leaders in primary and secondary schools and developed the Secondary Leadership Team Toolkit, designed to share the latest practice on areas such as the extended school, collaboration, e-learning, professional development and the community.

In 2006-07, in support of the DfES e-strategy, *Harnessing Technology*, we will work with the SSAT, Becta, and Partnerships for Schools to develop a further range of opportunities for around 1,500 school leaders.

## Finding the best people to fit the most challenging roles

There is a growing body of evidence that failing schools can be transformed by excellent leadership and support from another high capacity school. There are at present a small number of ‘executive heads’ – experienced headteachers who are able to take on these complex roles. Structures vary, but the skills required to take on such a role are becoming increasingly clear.

However, as the Secretary of State remarked in her 2005-06 Remit Letter to the College:

*“There is currently no dedicated programme to prepare heads to take on complex roles such as head of an Academy, or a school federation, or a school with serious weaknesses. I should like advice from the College on how far current activity bears on this issue and what further action you propose might be taken...”*

Helping to strengthen leadership in these complex roles has been a key priority for us this year, and in October 2005 we provided advice to the Secretary of State on how this might be achieved.

We need school leaders to regard success in these complex areas as the pinnacle of their profession. We advised that a pool of competent system leaders could be expanded relatively quickly through more systematic identification and personalised development, together with stronger incentives.

We recommended that those outstanding school leaders with the necessary skills, who are also committed to taking responsibility for the leadership of complex schools, should be designated **National Leaders of Education (NLEs)**.

Those leaders would also have access and engagement with policy development at a national level. The concept of NLEs – their role, remit and the selection process – was developed in partnership with an advisory group of key stakeholders, including the DfES, Ofsted, National Strategies, the Specialist Schools and Academies Trust and the Headteacher Associations.

Our recommendation was approved and in the coming year we will:

- work with the TDA, SSAT and others to commission and publish guidance on the skills required for these complex roles
- manage, in partnership with others, the identification and accreditation of National Leaders of Education using transparent criteria
- maintain a register of potential executive headteachers who are NLEs and whose schools have the capacity for them to be released to lead another school or schools

Local authorities and National Strategies will play a central role in ensuring that these leaders and their schools are consistently and effectively deployed where they are most needed, taking advice from both the College and other agencies such as the SSAT.

## Key points

### In 2005-06 we:

- provided a range of initiatives to develop emerging and middle leaders
- trained a further 400 Primary Strategy Consultant Leaders (PSCLs) making a total of 1,900 PSCLs
- gained approval for our recommendation to create National Leaders of Education (NLEs)
- accredited over 650 secondary school improvement partners (SIPS) and 86 primary SIPS

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- almost 900 participants completed the Certificate in School Business Management (CSBM) and 150 graduated from the Diploma (DSBM)
- evaluations indicate that the Primary Leadership programme has made a positive impact on the quality and effectiveness of collaborative leadership in participating schools, and has contributed to a significant improvement in KS2 test results in English and maths with 79 per cent of pupils achieving KS2 level 4 or above in English and 75 per cent in maths – a rise of 1 per cent for both
- over 10,500 individuals engaged in our Strategic Leadership of ICT programme or related activities

## Goal 3: Identify and grow tomorrow's leaders

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*"One of the most significant events in the life of a school is a change in its leadership. Yet few things in education succeed less than leadership succession."*

Hargreaves et al. 2003

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*"It is absolutely critical that all schools take a pro-active stance in talent development, or risk a leadership crisis."*

Hartle – Growing Tomorrow's Leaders – The Challenge 2004

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With over 43 per cent of primary headteachers and 47 per cent of secondary heads due to retire in the next 10 years, our third goal is to persuade more members of the school workforce of the many personal and professional rewards of school leadership and to help them develop into excellent leaders. We have committed ourselves to working in partnership with other organisations and representatives of the profession to develop a strategic approach to this challenge, focusing on:

- developing local solutions to a national challenge
- identifying and growing talent
- working with others to develop tomorrow's leaders

### Developing local solutions to a national challenge

This year, at the request of the Secretary of State, we have been working in close partnership with the TDA, DfES, General Teaching Council (GTC), SSAT and other national agencies, professional associations and local authorities to prepare advice (submitted in May 2006) on the development of an explicit national strategy for **succession planning**.

Drawing on extensive research, the group concluded that whilst the succession challenge is essentially a demographic one, it is compounded by other factors, including negative perceptions of the role of school leaders, particularly over accountability and workload.

In view of the complexity of the challenge, our strategic response is designed to:

- develop talented leaders earlier and in greater numbers
- deploy leaders into areas of acute challenge
- mobilise local systems to develop solutions

At the heart of this strategy is the need to create local solutions for a national challenge. To support this, we have provided a model for headteachers, local authorities, Trusts and other regional groups, to tackle this fundamental issue through the development of more dynamic localised partnerships and systems, based on up-to-date data and good communications.

In the coming year we will:

- pilot work with a small number of local area groups to:
  - further develop and test local data tools as an aid to generating local strategic approaches
  - identify the kinds of materials, activities and support that are most useful in local approaches
- pilot a communications strategy, aimed in the first instance at NPQH candidates and graduates, but with a longer-term aim of changing perceptions
- launch and work with partners to disseminate guidance to governors on headteacher and senior leadership recruitment and succession planning

## Identifying and growing talent

Throughout 2005-06, our work on developing a national strategy for succession planning was supported by other initiatives designed to grow tomorrow's leaders.

We maintained our focus on specific programme activity and development which is aimed at both accelerating career progression and bringing greater diversity into the school leadership population. We started work on a review of the **National Professional Qualification for Headship (NPQH)**, and began to plan for handover of the **Fast Track** programme from DfES to the College in September 2006.

We are also now part of a partnership project to pilot a small scale programme called **Future Leaders**, aimed at supporting the development of potential school leaders who are not on the conventional career path. The pilot is running in the first instance in London with 20 candidates.

## Working with others to develop tomorrow's leaders

### Developing and supporting community leadership

The development of the **Every Child Matters agenda (ECM)** with its focus on the five outcomes and the impact of extended schools and multi-agency working for school leaders has been a key focus for our work this year, with a range of activities, including:

- the successful piloting of a multi-agency team development programme
- the support of locality community leadership networks
- a capacity building programme for community leaders working in partnership with schools
- a series of seminars on building better school-community engagement
- the publication of *ECM – why it matters to leaders*, which sets out the ECM agenda and the key leadership implications

We also launched the **National Professional Qualification in Integrated Centre Leadership (NPQICL)** resulting in 400 early years children's centre leaders taking part in the qualification across eight government office regions.

The rapid growth of children's centres as part of the government's commitment to the Child Care Strategy underpins the growth and development of this qualification which was recognised as having equivalence to NPQH for leaders in early years settings in January 2005.

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*"Leading a multi-disciplinary team through a period of change is not easy. The NPQICL provides me with a safe, supportive and challenging learning environment in which I can test out my leadership theories, beliefs and aspirations."*

NPQICL programme participant

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ECM and standards is now a core policy area within NCSL, influencing all areas of our work. In the coming year, we will be working closely with the TDA to align the extended schools remodelling process with a leadership development dimension. This collaboration will form the basis of our strategic approach to ECM in the future.

We will continue to engage in focused research and development at a local level to help us understand the complexity of ECM. In the coming year we will be conducting locality leadership field trials with networks of schools and other agencies as well as engaging in a series of challenge workshops with school and other locality leaders.

### Identifying and building on best practice

Throughout 2005-06, development of our policy initiatives was underpinned by a highly effective programme of research. Over the year, we continued to actively engage with members of the profession and educationalists, tapping into their wealth of knowledge and commissioning leading practice research to inform policy developments at both a local and national level.

In 2005-06 our **Leading Practice** series of events was structured around the key priorities outlined in our Corporate Plan and attracted over 1,500 participants. Associated materials from these events were posted on our website and made available to all school leaders to download for free.

Our **Research Associates** programme continued to provide senior school leaders with the opportunity to undertake practitioner enquiry into aspects of leadership which will be of value to their colleagues. This year the programme enabled individuals as well as groups to pursue different lines of enquiry.

By building links with colleagues and leadership centres worldwide, we aim to learn from the best. During 2005-06, we hosted representatives from Australia, Denmark, New Zealand, Sweden, Thailand, and the United States. We also continued to welcome visits by a number of leading scholars, including a party from the Change Leadership Centre at Harvard University.

In March 2006 we hosted two invitational seminars at the American Educational Research Association to discuss the future of school leadership and the redesign of NPQH, and to consider the next set of research questions which need to be addressed.

We played an active role in the International Leadership in Education Research Network (ILERN) which has connected some of the world's leading thinkers and writers on educational leadership. This project has been led by Professor Andy Hargreaves from the Lynch School of Education, Boston College.

The International Leadership Centre website and newsletter were launched last year and its membership continues to grow. This initiative enabled researchers internationally to share their work.

### Tackling within-school variation

This year we built on the work started in 2004-05 on the **Within-School Variation** project to produce a summary document of the strategies that can be used by schools to reduce within-school variation.

The advice includes:

- using data systematically to identify differences between children's achievements in groups, departments and classes
- actively involving middle leaders in using data and developing consistent approaches across the school and across year groups, phases and departments
- engaging pupils in the process
- developing consistent standard operating procedures which are consistently applied by everyone

Twenty-four schools were involved in the first phase of this project and an additional 28 schools joined the project in 2005-06 to test out these strategies.

We presented our findings at regional seminars and workshops across the country and in October 2006 will deliver a seminar on the project at the annual British Educational Leadership and Management conference.

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*"Tackling within-school variation has helped us to develop an understanding and an acceptance that the success of a school is a shared responsibility. In order to add value to children's learning there needs to be effective teaching and learning of a consistently high quality year-on-year, class-by-class and not just in the year groups where the accountability stakes are higher."*

Headteacher, Within-School Variation project

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## Measuring our impact

Every year we undertake extensive evaluation to investigate how participating in College activities impacts on school leadership and leadership development. Evaluation also contributes to the improvement and development of College programmes and activities, provides an opportunity for participants to review their learning, and ensures College accountability.

We also contribute to the evaluation of related activity outside the College and belong to a number of steering groups, which this year included those of the DfES commissioned study of the impact of leadership on learning outcomes, and School Teachers Review Body (STRB) review of leadership by PricewaterhouseCoopers (PwC).

## Key points

### In 2005-06 we:

- worked with a range of partners to prepare advice to ministers on the development of a national strategy for identifying and growing tomorrow's leaders
- launched the National Professional Qualification in Integrated Centre Leadership (NPQICL) with 400 early years children's centre leaders taking part in the qualification across eight government office regions
- published 19 new research summary reports
- attracted some 1,500 participants to our Leading Practice events
- produced advice for schools on strategies for reducing within-school variation and increased the number of schools taking part in the project from 24 to 52
- conducted 19 evaluations of our programmes, including SLICT, NPQICL, the Bursar programme and the Primary Strategy Consultant Leaders programme
- contributed to the DfES commissioned study of the impact of leadership on learning outcomes and School Teachers Review Body (STRB) review of leadership



## Goal 4: Create a fit-for-purpose, national College

In order to deliver our first three goals, we needed to continue to grow and improve as an organisation. We needed to ensure that we were properly geared and organised, both to commission leadership development of the highest quality, and to provide government with the best evidence-based advice on the future improvement of school leadership. We also had to ensure that we were better responding to the needs of school leaders, giving them a strong voice in the development of our programmes, and a real sense of ownership of the College and its work.

### Listening and responding

We took significant steps this year to build stronger relationships and a better understanding of the needs of our stakeholders and partners. Over the summer, our Chief Executive consulted with more than 2,000 school leaders at **nine regional conferences** to understand more fully the challenges they face and what they needed from the College. In November 2005 he joined Ralph Tabberer, (Chief Executive of TDA) to host a joint hotseat 'Schools the ultimate makeover' to understand how schools were responding to changes in the workforce.

We have begun to expand our **Leadership Network** as a way of actively engaging with school leaders, gathering intelligence about their needs, identifying best practice on the ground and giving school leaders more opportunity to influence our work.

Throughout the year, we continued to work proactively with our major national partners, including the DfES, National Strategies, SSAT, TDA, local authorities, professional associations, Ofsted, the GTC and other public bodies. Areas of **collaboration** include:

- advice to the Secretary of State on provision to support leadership of complex schools
- development of a register of National Leaders of Education
- NPQH redesign to address the school leadership skills needed in the 21st century
- development of the College's charging and subsidy policy
- development of a pilot programme, Future Leaders, to bring 'non-traditional' leaders into urban schools and accelerate their preparation for leadership roles
- advice to the Secretary of State on succession planning, looking at how more people can be encouraged and developed to take on school leadership roles
- understanding and meeting the challenges of multi-agency children's services



## Focusing on what matters

This year we **refocused on our core business** – developing school leaders, system leaders and future leaders, and applying the best national and international research to produce cutting edge practice.

Our four goals provide a clear direction for our activities and have been embedded across the organisation through staff conferences, workshops and internal communication. They are now linked closely to our operational plans which cover all areas of College activity. This ensures that delivery is focused on achieving the right outcomes and enables us to track our progress against a series of milestones throughout the year.

Internally, we underwent a major **restructuring of senior leadership** roles and responsibilities to drive through cultural and organisational change. With a new strategic leadership team in place and new operating structures and processes, we are now even better equipped to meet the challenges ahead.

A major area of activity this year has been our work on **commissioning** out the design, development and delivery of our programmes. This will enable us to offer more flexible, personalised leadership development provision that meets the needs of school leaders within their particular contexts. Our leadership provision is already highly regarded; we are now looking for new providers to work with us in innovative ways to build on this success. The first of these new providers will start delivering programmes from September 2006.

## Being measured by our results

As part of our commitment to a much stronger and transparent process of self-evaluation, this year we put in place a balanced scorecard for measuring our progress and success in four areas:

- outcomes and impact
- stakeholder and customer perspectives
- organisational efficiency
- internal organisational learning and development

The balanced scorecard ensures that we have a clear picture of our impact, effectiveness and the value for money of our work. The scorecard data provides the College, the DfES and our governing council with a tool to measure how well we are doing against our key priorities and informs our strategic planning for future provision.

Throughout the year, the scorecard has been further refined and developed. Targets have been discussed and agreed with the DfES and approved by our governing council and we have devised new business processes and modified information systems to ensure we have the necessary structures to gather evidence against each of the key performance indicators of the scorecard. We have also engaged with our staff to demonstrate how the balanced scorecard high level indicators are linked to their work and how their work supports the achievement of our strategic goals. This approach has enabled us to build a coherence of purpose at all levels of the College.

In September 2005, we undertook our first *staff survey*. The survey results were shared with staff at the staff conference in February 2006, and actions put into place to address some of the issues and opportunities identified. Although this has been a challenging year with significant changes that have impacted on us all, staff morale remains buoyant, with high levels of commitment to improving the lives and life chances of children and young people.

## Key points

### In 2005-06 we:

- consulted with over 2,000 school leaders, stakeholders and partners to understand more fully the challenges they face and what they needed from the College
- worked collaboratively with other public bodies and professional associations on a range of school leadership issues and initiatives
- introduced new approaches to operational planning to ensure that delivery is focused on achieving the right outcomes
- began the process of commissioning out the design, development and delivery of our programmes so that we can offer more flexible, personalised leadership development provision
- commissioned a survey with over 800 school leaders across the country, to ask their views on NCSL:
  - 76 per cent felt that the NCSL was having a positive impact on education
  - 79 per cent felt their involvement (with College programmes) had developed their leadership and knowledge
  - 52 per cent felt involvement (with NCSL) had improved standards of achievement in their school
- achieved £360,000 savings against the Gershon target of £340,000
- undertook our first staff survey, with a response rate of 88 per cent:
  - overall satisfaction was 66.5 per cent
  - 78.4 per cent of staff felt there was an appropriate level of consultation in their team
  - 73.3 per cent felt that they had the learning and development opportunities to improve their skills in their existing job
  - 73.2 per cent would recommend NCSL as a good employer to work for
- put in place a balanced scorecard to measure our impact
- restructured the leadership of the College and introduced new processes to make us a fit-for-purpose College

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## Accounts for the year ended 31 March 2006: company information

### Directors serving during the year

	Appointed	Resigned
<b>V Treves</b> (Chair)	1 September 2004	–
<b>B Bigland</b>	25 September 2003	–
<b>M Britt</b>	1 January 2003	–
<b>T Mackay</b>	25 September 2000	–
<b>H Mitchell</b>	21 February 2001	29 March 2006
<b>L Neal</b>	14 February 2003	–
<b>D Nightingale</b>	14 February 2003	–
<b>H Paterson</b>	6 November 2002	–
<b>D Patterson</b>	6 November 2002	–
<b>T Piggott</b>	6 November 2002	–
<b>T Salt</b>	25 September 2000	29 March 2006
<b>M Taylor</b>	6 November 2002	–
<b>P Williams</b>	15 February 2004	–

#### Company secretary

Eversecretary Limited  
Eversheds House  
70 Great Bridgewater Street  
Manchester  
M1 5ES

#### Registered office

1 Royal Standard Place  
Nottingham  
NG1 6FZ

#### Registered number

04014904

#### Head office

Triumph Road  
Nottingham  
NG8 1DH  
[www.ncsl.org.uk](http://www.ncsl.org.uk)

#### Bankers

Office of HM Paymaster General  
National Investment and  
Loans Office  
Sutherland House  
Russell Way  
Crawley  
West Sussex  
RH10 1UH

#### Auditors

KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

#### Solicitors

Eversheds  
1 Royal Standard Place  
Nottingham  
NG1 6FZ

# Foreword to the accounts

## Background information

The National College for School Leadership Limited (the 'College') was incorporated on 14 June 2000. It is an executive Non-Departmental Public Body (NDPB) sponsored by the Department for Education and Skills (DfES). It is a company limited by guarantee, having no share capital. The accounts have been prepared in accordance with an accounts direction issued by the Secretary of State for Education and Skills with the consent of the Treasury. The full accounts direction is available upon request but in summary the direction requires the College to comply with the accounting and disclosure provisions of the Companies Act and UK Generally Accepted Accounting Practice (UK GAAP). In preparing the accounts the College has also paid regard to the 'Financial Reporting Manual' issued by HM Treasury.

## Principal activities

The College's objective is to raise educational standards and aspirations by providing training and support for heads, deputies and other school leaders.

The College is governed by a board of non-executive directors (otherwise referred to as the Governing Council) appointed by the Secretary of State for Education and Skills. Executive management is provided by the College's Chief Executive and a leadership team of four executive staff members.

## Results and financial performance

The primary financial objective was to return a breakeven position. This was achieved, the College showed a surplus of £1.1m for the year, after FRS17 pensions adjustments. The company is a not for profit organisation and its constitution prevents it from paying a dividend therefore any retained profits currently remain in reserves.

## Future developments

The corporate plan for the period 2005/08 marked a new era for the College setting out four new ambitious goals:

- transform children's achievement and well-being through excellent school leadership
- develop leadership within and beyond the school
- identify and grow tomorrow's leaders
- create a fit for purpose, national College

The Corporate Plan for 2006/09 builds on this by identifying the how those goals will be achieved.

The College is also undergoing a period of change as it moves towards commissioning out the majority of its programme design and delivery. Following a major national tendering exercise during 2005/06 four programme areas will commence commissioned out delivery from September 2006.

In May 2006 a company Future Leaders Ltd was established to take forward an initiative to pilot a new approach to recruiting and training future school leaders. NCSL has two Directors on the board and will provide funding to the company.

The DfES three year funding of the Network Learning Communities ended in March 2006 and the College has begun the process of closing down the project and the Cranfield office. This is scheduled to be completed by August 2006.

## Fixed assets

Note 9 to the accounts details fixed asset additions and disposals during the year.

## Research and development

Significant resource was devoted towards Research and Development activities during 2005/06. A total of £3.8m was spent on this work compared with £3.1m in 2004/05. Research work included a programme of visiting associates, examination of worldwide best practice, leading edge seminars and commissioned research. The College has also commissioned research to provide advice to the Government on the future of school leadership in the 21st century.

## Pension arrangements

Note 22 to the accounts details the College's pension liability and arrangements.

## Post balance sheet events

There were no post balance sheet events.

## The governing council

The following people served during the year:

### Chair

Vanni Treves  
*Chairman, London Business School*

### Directors

Brenda Bigland  
*Headteacher, Lent Rise Primary School, Reading*

Matthew Britt  
*Headteacher, St Mary's Lewisham CE Primary School*

Tony Mackay  
*Director, Centre for Strategic Thinking, Melbourne, Aus.*

Hugh Mitchell  
*Group HR Director, Shell International. The Hague*

Linda Neal  
*Chair, Young @ now*

Di Nightingale  
*Headteacher, Hounsdown School, Southampton*

Helen Paterson  
*Head of School Improvement, Solihull MBC*

David Patterson  
*HR Consultant and former MD of the Hay Group Ltd (UK)*

Terry Piggott  
*Director of Children's Services, Rochdale*

Toby Salt  
*Headteacher, St. Anthony's (special) School, Chichester*

Martin Taylor  
*Former headteacher and former Chief Executive of NHS Trust*

Peter Williams  
*Formerly T-Mobile*

### Ex Officio

David Bell  
*Permanent Secretary, Department for Education and Skills*

Michael Gibbons  
*Lead Director, Innovation Unit, DfES*

Judy Moorhouse  
*Chair, General Teaching Council for England*

Steve Munby  
*Chief Executive, The National College for School Leadership*

### Observer

Stephen Hillier  
*Director, School Workforce Unit, Department for Education & Skills (until January 2006)*

## Charitable and political donations

There were no charitable or political donations during the year.

## Disabled employees

The College is committed to a policy of equal opportunities. Disability is not regarded as a bar to recruitment or advancement; selection is based on merit. The office accommodation at all of the College's sites is equipped to accommodate the needs of people with disabilities and complies with the requirements of the Disability Discrimination Act.

## Employee involvement

Staff involvement is actively encouraged. Means of employee communication include regular team meetings, internet communications and regular briefings for all staff. A number of cross college working groups have been established to encourage participation of staff and improved methods of working. The College holds an annual staff conference and undertakes an annual staff survey.

## Equal opportunities

The College is an equal opportunities employer. The College has an equal opportunities policy, which is in line with best practice and has been approved by the DfES. During the year the College has run a programme of diversity training for staff.

## Prompt payment

The College is committed to complying with the principles of the Better Payment Practice Code and monitors performance on a monthly basis, taking measures where indicated to improve compliance.

## Auditors

In respect of the year ended 31 March 2006 the College's external auditors KPMG LLP, in addition to the statutory audit, have provided advice on the College's tax liability. The College's internal audit service has been provided by PKF (UK) LLP. The College also contracted separately for PKF (UK) LLP management consultants to write the tenders for the programmes being commissioned out in 2006.

## Going concern

The accounts have been prepared on a going concern basis as the Governing Council believe that the College will continue in operational existence for the foreseeable future. The Secretary of State for Education and Skills has confirmed a baseline budget of £74m grant funding for 2006/07.

## Elective resolution

On 16 November 2001 an elective resolution was passed to dispense with the annual appointment of auditors and laying of the accounts before the company in a general meeting.

Signed by order of the board by:

**T Piggott, Director**

Dated: 26 June 2006

Approved by:

**S Munby, Chief Executive**

Dated: 26 June 2006

## Statement of governing council members' and accounting officer's responsibilities

Under Section 227 of the Companies Act 1985 the College's Directors are required to prepare a statement of accounts for each financial period in the form and on the basis set out by the Act. The Accounts Direction, which is issued by the Secretary of State for Education and Skills, requires the company to comply with the accounting and disclosure provisions of the Companies Act and UK Generally Accepted Accounting Practice (UK GAAP).

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the College at the period end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit for that period. In preparing those accounts, the Accounting Officer and the directors are also required to comply with the requirements of the Government Financial Reporting Manual and in particular:

- observe the Accounts Direction issued by the Secretary of State for Education and Skills, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the organisation will continue in operation.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Secretary of State for Education and Skills has designated the College's Chief Executive as the Accounting Officer of NCSL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding NCSL's assets are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in 'Government Accounting'.



# Statement of system of internal control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the National College for School Leadership's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the NDPB Accounting Officer Memorandum.

As an NDPB sponsored by the DfES the College's financial memorandum and management statement set out the respective roles of the Accounting Officer and Governing Council. The College's Corporate Plan and Operating Plan, which reflect the expectations set by the annual remit letter, have been developed in consultation with the Department.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the NCSL for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with the Treasury guidance.

## Capacity to handle risk

The leadership team will keep the main risks under regular strategic review, whilst risk management and the consideration of risk has been incorporated into the corporate planning and decision making process of the College. High level information on risks and the management of risks will then be integrated with other key performance data and presented to the Governing Council.

## The risk and control framework

The leadership team formally agreed a risk management strategy for the College which discusses the attitude of the College toward risk and articulates how the management of risk will be driven.

The College is in the process of updating the main risks that may affect the organisation, capturing essential information within a risk register against which each risk is attributed to a clearly identified owner. In respect of each risk a process of assessment, risk rating, impact consideration, a review of control measures and contingencies will be undertaken. It has been identified that the register needs to be updated to take account of changes, new risks and to reassign ownership.

Each project undertaken is the subject of an individual risk assessment and the College's risk management monitoring processes are integrated with the monitoring of financial and programme performance. Regular review meetings with programme managers highlight any movement in risk and the Leadership Team are informed as appropriate.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board and the Audit Committee and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

In 2005/06 the following key internal control measures were in place:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Finance & General Purposes Committee of the Governing Council;
  - regular monitoring meetings at which project managers report on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects and progress towards corporate plan objectives.
  - regular reviews by the Leadership Team of reports indicating financial and programme performance against forecasts;
- Several specific reviews have been undertaken during 2005/06 to provide assurance about the level of controls operating. An external review of the Data Protection arrangements and of staff knowledge of the requirements has informed the update of the arrangements. A business continuity plan has been written and tested. The finance policies and procedures were revised in March 2005 and work has been ongoing throughout the year to raise awareness and ensure compliance. The procurement team have utilised the Office of Government Commerce Gateway review processes to provide contracting assurance.
- During the year the College has commenced a process of business re-engineering which has included a restructure of the senior management arrangements. The remit of the newly appointed Strategic Director Strategy and Organisational Development includes a review of current processes to build on the existing systems and knowledge and to embed risk management throughout the organisation.

A bespoke programme of training to provide staff with the relevant level of skills to manage projects and to identify and manage risk is being developed and delivery will commence in the summer of 2006. The College's policies and procedures and systems of delegations will be reviewed to ensure they continue to provide control and assurance under the new management structure and project-based working.

Also during 2005/06 the Chairman, in consultation with representatives of the DfES, has reviewed the composition and operation of the College Governing Council and at the time of writing the Secretary of State was in the process of appointing seven new members. The Chairman will subsequently make suitable appointments to the Audit Committee to provide the College with Board level assurance.

These combined developments will build upon the existing systems to further strengthen the internal control and assurance mechanisms.

**S Munby, Accounting Officer**

Dated: 27 April 2006

## Remuneration report

The College ensures it is able to deliver on its charter by attracting and keeping highly talented individuals in the senior management team. This entails maintaining a competitive stance with respect to the overall compensation package on offer when compared to both the private and public sectors.

The College ensures the remuneration package for senior managers is competitive by periodically commissioning a salary review. This review is undertaken by an independent consultancy. Salaries, benefits and pensions are compared against market norms in both the private and public sectors. The College aims to compete at the median point across both sectors for like positions. The median point does not include private sector bonuses which tend to skew comparatives. The results are reported to the Remuneration Committee for review and sanction.

The remuneration committee comprises of:-

David Patterson (Chair)  
NCSL Governing Council

Terry Piggott  
NCSL Governing Council

Martin Taylor  
NCSL Governing Council

Toby Salt  
NCSL Governing Council  
(resigned 6th April 2006)

Steve Munby  
Chief Executive Officer, NCSL

The final package for each senior manager comprises of salary, pension (local government pension scheme) and corporate bonus. The corporate bonus is linked to the achievement of the objectives as laid out in the annual plan which is presented to and agreed by the DfES. These objectives are subject to periodic measurement and are contained within the NCSL Balanced Scorecard. The achievement of the objectives is subject to review and confirmation by the Finance & General Purpose Committee (General Council reporting body). If the objectives are achieved the corporate bonus pot is equally divided amongst all eligible employees including Directors. An eligible employee/director is one who has met the high standards required in the annual performance appraisal system. Those employees/considered to be below this standard ie requiring development do not qualify. In addition to the above Steve Munby (CEO) is entitled to a bonus of up to 10 per cent of salary based on his achievement of the objectives set by Vanni Treves.

The performance of senior managers is assessed on an annual basis by reviewing how well they have done against their objectives for the year. The performance appraisal review includes input from stakeholders and colleagues. Performance is reviewed and targets are set for the next year. The target setting process ensures the individual goals are aligned with and designed to achieve the College objectives as laid out in the operational plan. Steve Munby conducts the review for his direct reports and Vanni Treves conducts the review for Steve Munby.

The College's policy on director contracts is as follows:-

- Duration of contracts
  - CEO – five year fixed term contract
  - All other directors – continuous until retirement
- Notice periods – all directors are on six months
- Termination payments – no formal termination payments for directors however, the College's policy on the termination of fixed term contracts is to treat these in same way as for full time employment and award a redundancy payment for loss of office. The redundancy payment is based on two weeks payment for each complete and partial year of service.

## The salary and benefits for the board and directors

Director	Position	Contract Dates & Notice	Theoretical Provision for early Termination	Salary & allowances *	Benefits in kind *	Total 05/06 *	Total 04/05 *	Compensation for loss of office *
<b>Non Exec Directors</b>								
Vanni Treves	Chairman	9/04	N/A	£42,709	Nil	£42,709	£23,333	
Brenda Bigland	Board Member	9/03 to 9/06	N/A	Note f Note g	Nil	Nil	Nil	
Matthew Britt	Board Member	1/03 to 8/06	N/A	Note f	Nil	Nil	Nil	
Tony Mackay	Board Member	9/00 to 9/06	N/A	Note f	Nil	Nil	Nil	
Hugh Mitchell	Board Member	2/01 to 3/06	N/A	Note f	Nil	Nil	Nil	
Linda Neal	Board Member	2/03 to 8/06	N/A	Note f	Nil	Nil	Nil	
Dianne Nightingale	Board Member	2/03 to 2/09	N/A	Note f	Nil	Nil	Nil	
Helen Paterson	Board Member	11/02 to 8/06	N/A	Note f	Nil	Nil	Nil	
David Patterson	Board Member	11/02 to 11/08	N/A	£6,000 Note f	Nil	£6,000	Nil	
Terry Piggott	Board Member	11/02 to 11/08	N/A	Note f Note g	Nil	Nil	Nil	
Toby Salt	Board Member	9/00 to 3/06	N/A	Note f	Nil	Nil	Nil	
Martin Taylor	Board Member	11/02 to 8/06	N/A	£2,900 Note f	Nil	£2,900	Nil	
Peter Williams	Board Member	2/04 to 2/07	N/A	Note f	Nil	Nil	Nil	
<b>Exec Directors</b>								
Steve Munby	CEO	3/05 to 3/10 6 mths notice	£78,000 Note d	£127,264 Note e	£7,650 Note c	£134,914	Nil	
Geoff Southworth	Deputy CEO	04/02 onwards 6 mths notice	£84,000 Note d	£118,105 Note e	Nil	£118,105	£86,830	
Stephen Duffill	Director of Finance	01/04 to 02/06 6 mths notice	N/A	£79,334 Note e	Nil	£79,334	£71,816	£53,150 Note a
David Jackson	Director	11/00 to 10/06 6 mths notice	£79,000	£108,333 Note e	Nil	£108,333	£103,758	Note b
Jane Doughty	Director	06/01 onwards 3 mths notice	£39,000 Note d	£86,653 Note e	Nil	£86,653	£77,500	
Tony Richardson	Director	11/00 to 01/06 7 days (secondment)	N/A	£94,677 Note e	Nil	£94,677	£104,705	£173,179 Note a
Peter Berry	Director	01/01 to 01/06 6 mths notice	N/A	£71,241 Note e	Nil	£71,241	£75,920	£58,950 Note a

### Notes:-

- \* Information has been subject to audit.
- a. Redundancy. The recent re-organisation has resulted in these employees having their contracts terminated and redundancy payments made for loss of office.
- b. Redundancy. David Jackson will be made redundant in October 2006.
- c. Steve Munby has a license for his sole occupancy of a room at LCC. The College pays for the cost of this room and the associated income tax for the benefit in kind.
- d. These are the theoretical costs associated with an early termination of the contracts. They are based on the College's redundancy policy which has been established during the recent re-organisation. The actual contractual cost is less.
- e. Performance Related Pay
  - Steve Munby has a performance related bonus of up to 10 per cent of salary based on achievement of objectives for the year
  - All Directors contribute to the attainment of the College objectives as measured within the NCSL Balanced Scorecard. Attainment of the objectives gives rise to the release of the corporate bonus to the College. The corporate bonus is equally divided amongst all eligible employees including Directors across the College.
- f. Board members were unpaid for the period April through August, they were however, allowed to claim expenses for travelling to board meetings. In September 2005 it was agreed that each member be allowed to claim a daily board attendance fee of £300 per day in addition to the travel expenses.
- g. Board attendance fees were paid directly to their employer in accordance with the DfES/Government guidelines. These payments did not result in a change to their overall salary and therefore were not disclosed in this report.
- h. In addition the College has incurred £85,216 in respect of Interim Management costs.\*

In accordance with DfES guidelines on employment, The College offers its employees the option of joining the Local Government Pension Scheme. The terms and conditions are very similar to central government schemes. The scheme is only available to executive directors, as unlike the non-executives they are employees of the College. The following represents the details of the executive directors pension entitlements.

## Pension details for the executive directors

Director	Position	Accrued pension as at 31st March 2006 and the related lump sum at age 60	Real increase during the year and the related lump sum at age 60	Cash equivalent value at 1st April 2005	Real increase in cash equivalent value during the year	Employers contribution to Partnership pensions for the year 05/06
		Col A	Col B	Col C *	Col D *	Col E *
Executive Directors						
Steve Munby	CEO	£43,000/£129,000	£2,000/£5,000	£604,000	£42,000	N/A
Geoff Southworth	Deputy CEO	£45,000/£135,000	£12,000/£36,000	£565,000	£250,000	N/A
Steven Duffill	Director	£17,000/£51,000	£2,000/£6,000	£185,000	£39,000	N/A
David Jackson	Director	£44,000/£132,000	£2,000/£6,000	£713,000	£67,000	N/A
Jane Doughty	Director	£10,000/£29,000	£2,000/£6,000	£105,000	£32,000	N/A
Tony Richardson	Director	£37,000/£112,000	£2,000/£5,000	£572,000	£40,000	N/A
Peter Berry	Director	£27,000/£82,000	£1,000/£4,000	£418,000	£32,000	N/A

There were no partnership pensions in existence.

### Notes

Col A – The value at 31st March 2006 of the accrued pension and (if applicable) related lump sum at age 60

Col B – The real increase during the year 05/06 in the pension and (if applicable) related lump sum at age 60

Col C – The value of the cash equivalent transfer value at 1st April 2005

Col D – The real increase in the cash equivalent transfer value during the year 05/06

Col E – Employers contribution to partnership pension for the year 05/06 (where they exist)

\* – Information has been subject to audit

**S Munby, Accounting Officer**

Dated: 26 June 2006

# Independent auditors' report to the member and directors of the National College for School Leadership Limited

We have audited the financial statements of the National College for School Leadership for the year ended 31 March 2006 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information described as audited in the Directors' Remuneration Report.

This report is made solely to the company's member in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As described in the Statement of Governing Council Members' and Accounting Officer's responsibilities on page 22, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), and Secretary of State for Education and Skills' accounts direction, and for ensuring the regularity of financial transactions.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We have reviewed whether the statement of internal control on page 23 reflects the company's compliance with the Treasury's guidance 'Corporate Governance: statement on the system of internal financial control'. We report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounts. We are not required to consider whether the Director's statement on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and have been properly prepared in accordance with the Companies Act 1985 and Secretary of State for Education and Skills' accounts direction;
- the information given in the Directors' Report is consistent with the financial statements; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**KPMG LLP**  
**Chartered Accountants**  
**Registered Auditor**

Dated: 26 June 2006



## Income and expenditure account for the year ended 31 March 2006

	note	Year ended 31 March 2006		Year ended 31 March 2005	
		£'000	£'000	£'000	£'000
<b>Turnover</b>	<b>3</b>				
From continuing operations					
Grant in Aid from DfES		78,643		94,532	
Other income	<b>4</b>	9,708		3,933	
		88,351		98,465	
From discontinued operations	<b>5</b>				
National Remodelling Team Grant		—		18,702	
Other income		—		—	
				18,702	
			88,351		117,167
Programme costs		(79,271)		(104,754)	
Infrastructure costs		(9,952)		(10,325)	
Contributions to provisions		(329)		(874)	
			(89,552)		(115,953)
<b>Operating (loss) surplus before FRS17 adjustments</b>			(1,201)		1,214
Less Employers LGPS costs		3,685		4,399	
Current service cost		(1,150)		(1,110)	
Past service cost		(216)		(400)	
			2,319		2,889
Operating surplus					
From continuing operations	<b>6</b>		1,118		4,103
From discontinued operations					
—National Remodelling Team Grant			—		—
Operating surplus			1,118		4,103
Interest payable and similar charges (net interest on pension scheme)	<b>22</b>		(16)		113
Surplus after tax			1,102		4,216
Tax on surplus on ordinary activities	<b>8</b>		—		—
Surplus on ordinary activities after taxation			1,102		4,216
Notional capital charge			(819)		(395)
Surplus after notional capital charge			283		3,821
Add back notional capital charge			819		395
<b>Accumulated surplus for the year</b>	<b>15</b>		1,102		4,216

## Statement of recognised gains and losses (SRGL) for the year ended 31 March 2006

	Year ended 31 March 2006	Year ended 31 March 2005
<b>note</b>	£'000	£'000
Surplus for the year	1,102	4,216
Actual return less expected return on pension scheme assets	2,499	491
Experience losses arising on the scheme liabilities	(1,003)	(4,364)
Change in financial and demographic assumptions underlying the scheme liabilities	(2,175)	(1,381)
Recognised (losses)/gains for the year	423	(1,038)
Prior year adjustment	–	(1,768)
Losses recognised since last annual report	423	(2,806)

## Balance sheet as at 31 March 2006

		2006		2005	
	note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	9		24,648		24,715
<b>Current assets</b>					
Debtors	10	3,334		2,484	
Cash at bank	11	24,902		18,193	
			28,236		20,677
<b>Creditors: amounts falling due within one year</b>	12	(27,216)		(18,773)	
Net current assets/(liabilities)			1,020		1,904
Total assets less current liabilities			25,668		26,619
<b>Creditors: amounts falling due after more than one year</b>	13	(23,698)		(23,777)	
<b>Provisions for liabilities and charges</b>	14	(1,203)		(874)	
<b>Pension liability</b>	22	(2,396)		(4,020)	
			(27,297)		(28,671)
<b>Net liabilities</b>			(1,629)		(2,052)
<b>Capital and reserves</b>					
Income and expenditure reserve (including pension liability)			(1,629)		(2,052)
Member's deficit	15		(1,629)		(2,052)

These accounts were approved by the board of directors and signed on their behalf by:

**T Piggott, Director**

Approved by the board on: 26 June 2006

**S Munby, Chief Executive & Accounting Officer**

Dated: 26 June 2006

## Cash flow statement for the year ended 31 March 2006

	Year ended 31 March 2006	Year ended 31 March 2005
	£'000	£'000
<b>Net cash inflow from operating activities</b>	6,709	12,857
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(1,054)	(945)
Receipt of deferred capital grants	1,054	945
Increase in cash	6,709	12,857
<b>Reconciliation of operating surplus to net cash flow from operating activities</b>		
Operating surplus	1,118	4,103
Depreciation	1,119	1,498
Release from deferred capital grants	(1,052)	(1,550)
Net book value of assets transferred to TTA	—	52
Non cash pension charges	1,366	1,510
Decrease/(increase) in debtors	(850)	3,891
Increase in creditors	8,364	6,878
Increase in provisions	329	874
Cash payments made to offset pension liability	(3,685)	(4,399)
Net cash inflow from operating activities	6,709	12,857
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash in the year	6,709	12,857
Change in net funds	6,709	12,857
Opening net funds	18,193	5,336
Net funds at 31 March	24,902	18,193

# Notes to the accounts for the year ended 31 March 2006

## 1 Company status

The company is limited by guarantee and has no share capital.

The maximum liability of each member is £1. The sole member is the Secretary of State for Education and Skills.

The company is an executive non-departmental public body, sponsored by the Department for Education and Skills.

## 2 Accounting policies

The accounts have been prepared in accordance with the Companies Act 1985, applicable accounting standards and in accordance with a direction given by the Secretary of State for Education and Skills with the consent of the Treasury. The particular accounting policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the accounts. The accounts have been prepared on a going concern basis for the reasons set out on page 21.

As permitted by section 226A(5) of the Companies Act 1985 the directors have adopted a format for the income and expenditure account that differs from that prescribed by Schedule 4 to the Act as it is considered that the directors' presentation provides a more true and fair view of the College's activities.

### 2.1 Accounting convention

The accounts have been prepared under the historical cost convention, except for assets received from the DfES for which no consideration is paid which are capitalised at their cost to the DfES.

### 2.2 Government grants

The College is funded mainly by Grant in Aid from its sponsor department, the Department for Education and Skills. Grant in Aid is received monthly and except as detailed below is treated as revenue being recognised upon receipt.

Amounts used for the purchase of fixed assets are held as deferred income in creditors and released to the income and expenditure account in line with depreciation on the relevant assets.

Where the College receives funds from the DfES which are specifically earmarked for identified projects the income is recognised to the extent that expenditure has been incurred, any unspent income being taken to creditors as deferred income.

Where the College has provided training bursaries for individuals, a liability is recognised on the balance sheet to the extent to which it is expected the bursary will be used. Income and expenditure is recognised at the time the claimant becomes entitled to the bursary. The balance of funding attributable to individual applicants is held in a separate HM Paymaster account.

### **2.3 Grants paid**

Grants to other bodies are recognised upon payment becoming due according to an agreed profile or specified milestones.

### **2.4 Leases**

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

### **2.5 Value added tax**

The College is treated as an 'eligible body' for VAT purposes and its supplies of education and vocational training are exempt from VAT. Irrecoverable VAT, excluding that on fixed assets, is charged to the income and expenditure account in the period in which it is incurred.

### **2.6 Fixed assets and depreciation**

Assets with a purchase cost in excess of £2,500 are capitalised unless they are part of a recognised scheme in which case items with a lower cost are capitalised as distinct groups.

Depreciation is provided for on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Land and buildings	over 50 years
Building improvements	over 10 years
Computer hardware and communications equipment	over 3 years
Computer software	over 2 years
Office furniture and equipment	over 3 years

Where the College receives assets for nil consideration from its sponsor department, the Department for Education and Skills, these are capitalised on their receipt at the cost to the DfES and a corresponding entry is credited to deferred grants. A release is made from deferred grants to income in line with the depreciation charge on the associated asset.

## **2.7 Research and development**

Research and development expenditure, including research grants, is written off as incurred.

## **2.8 Foreign currencies**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

## **2.9 Notional cost of capital**

The notional cost of capital of 3.5 per cent on average capital employed during the year, excluding cash at bank and donated assets, has been shown in the income and expenditure account. Where the capital employed is represented by liabilities a negative charge or credit is shown. This is in line with HM Treasury guidance.

## **2.10 Pensions**

College employees are eligible to become members of the Nottinghamshire County Council Local Government Pension Fund, a defined benefit scheme. The College fully adopted FRS17 Retirement Benefits in 2004/05.

## **2.11 Cash**

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand.

## **3 Turnover**

The majority of the College's income is grant in aid from the DfES, made up of baseline grant and other specific ring-fenced funding.

## 4 Other income

In addition to the grant in aid the College also invoices the DfES for specific project funding. The College has also received programme funding from several other sources during 2005/06:

Training & Development Agency for Schools – Bursar training – £4.9m

Capita – School Improvement Partners – £1m

Capita – Primary Strategy – £250k

The College charges fees to participants on several of its programmes. When the fees were initially set they were based on a percentage of the costs NCSL pays to the providers of the programmes. The financial objective is, over several years, to reduce the amount by which NCSL subsidises school leadership training.

The College receives other income from the sales of publications and other training materials and from chargeable seminars and conferences.

## 5 Discontinuing operations

The hosting of the National Remodelling Team (NRT) transferred to the Training and Development Agency for Schools (TDA) from 1 April 2005 and was shown as a discontinued operation in 2004/05. The transfer of cash and other balances to the TDA was completed during 2005/06.

Although not required to be shown in the accounts as a discontinuing operation the DfES funding for the Network Learning Group ended on 31 March 2006 and as a consequence the work of the group, based in Cranfield, will cease in August 2006.



## 6 Operating surplus

	2006 £'000	2005 £'000
This is stated after charging:		
Depreciation of fixed assets	1,119	1,498
Auditors' remuneration		
Audit services – external auditors	38	39
Audit services – internal auditors	41	32
Other fees – external auditors – tax advice	3	4
– external auditors – other consultancy	35	11
– external auditors – provision of interim staff	5	26
Other fees – internal audit – other consultancy	344	–
Research and development expenditure	3,847	3,128
Operating lease payments – plant and equipment	52	1,420
Operating lease payments – other	1,041	755

## 7 Staff costs

	2006 £'000	2005 £'000
a)		
Wages and salaries of direct employees	8,297	8,345
Redundancy costs	571	–
Social security costs	751	766
Other pension costs	861	336
Contract & temporary staff costs	449	680
Seconded staff costs	83	602
LGPS current service charge	1,150	1,110
LGPS past service (gain) cost	(615)	400
	11,547	12,239

Salaries includes gross salaries and performance bonuses payable. It does not include the estimated monetary value of benefits in kind. Following the adoption of FRS 17, the employers pension cost in respect of the College's main pension fund, the Nottinghamshire County Council Pension Fund, is charged directly to the pension liability in the balance sheet. The amount charged for the year was £3,685,000 (2005: £4,399,000).

b) The average number of employees during the year was made up as follows:

	2006	2005
Senior management (includes one secondee)	5	7
Other staff	227	217
Seconded staff	–	5
Agency, temporary and contract staff	15	19
	247	248

c) The College is a member of the Nottinghamshire County Council Pension Fund.

d) Details of Directors' emoluments are shown in the remuneration report. The Chair of the Governing Council is the only member of Council who receives a salary from the College. With effect from September 2005 other members of the Governing Council, who are directors for the purpose of Company Law, have been entitled to claim an allowance for meeting attendance; for those directors employed full-time in the public sector this is paid to their employer. Expenses incurred for attendance at meetings are also reimbursed.

e) Information in respect of the remuneration and pension entitlements of the Chief Executive, who is not a director for the purposes of Company Law, and the individual salary and pension entitlements of the other senior managers are shown in the Remuneration Report at page 25.

## 8 Taxation

It has been agreed by the Inland Revenue that the College is currently exempt from taxation (other than Value Added Tax) on its educational activities, and therefore no provision for current or deferred corporation tax is necessary. This position is reviewed annually.

## 9 Tangible fixed assets

	Land and buildings Owned £'000	ICT Owned £'000	Furniture and fittings Owned £'000	ICT, furniture and fittings Donated £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2005	26,152	1,578	702	42	28,474
Additions at cost	731	308	15	–	1,054
Disposals	–	(296)	(10)	–	(306)
At 31 March 2006	26,883	1,590	707	42	29,222
<b>Accumulated depreciation</b>					
At 1 April 2005	1,812	1,298	607	42	3,759
Charge for the year	704	314	101	–	1,119
Disposals	–	(296)	(8)	–	(304)
At 31 March 2006	2,516	1,316	700	42	4,574
<b>Net book value at 31 March 2006</b>	24,367	274	7	–	24,648
At 31 March 2005	24,340	280	95	–	24,715

On 7 June 2002, the College entered into a 99 year lease with the Department for Education and Skills for the use of a building sited on the Jubilee Campus of the University of Nottingham. No consideration was transferred by the College to the DfES in respect of this lease and the lease contains no provision for rental to be charged. Under the provisions of FRS 5, this building was capitalised at cost within the College's accounts to reflect the substance of the lease which confers the operational risk of the building to the College. A corresponding entry was made to deferred capital grants within creditors and this creditor balance is being released to income in line with depreciation on the asset. During the year, the College made a payment of £1.3m to the DfES in lieu of rent on a non-prejudicial basis. Discussions about the lease terms and associated rental payments between the DfES and the College have been ongoing during the year and are expected to be finalised in Summer 2006.

## 10 Debtors

	2006 £'000	2005 £'000
Trade debtors	2,132	1,317
Other debtors	1	16
Prepayments and accrued income	1,201	1,151
	<b>3,334</b>	<b>2,484</b>

These balances can be analysed between:

	2006 £'000	
Other central government bodies	209	
Local authorities	140	
Bodies external to government	2,985	
	<b>3,334</b>	

## 11 Cash at bank

The College's cash balance at the year end can be analysed as follows:

	2006 £'000	2005 £'000
HMPG Accounts	24,746	18,006
Nat West account for Headteachers Induction Programme	156	187
	<b>24,902</b>	<b>18,193</b>
Representing:		
Working balance	(3,177)	391
Year end creditors & accruals	12,521	7,143
Grant returned in April	2,497	–
VAT, PAYE and NI payable	141	271
Deferred grant – continuing operations	1,984	2,808
Deferred grant – discontinuing operations (NRT)	–	624
Receipts in advance	3,600	848
Headteacher Induction Programme (HIP) Grants	7,336	6,108
	<b>24,902</b>	<b>18,193</b>

## 12 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
VAT	137	—
Other taxation and social security	4	271
Trade creditors	227	133
Other creditors	2,500	—
Accruals and deferred income	17,877	11,423
HIP grants	5,521	6,008
Deferred capital grant	950	938
	27,216	18,773

These balances can be analysed between:

	2006 £'000	
Other central government bodies	6,340	
Local authorities	117	
Bodies external to government	20,759	
	27,216	

## 13 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Deferred capital grant – land and buildings	23,663	23,709
Deferred capital grant – other	35	68
	23,698	23,777

## 14 Provisions for liabilities and charges

	Closure of Networked Learning Group £'000	Senior management restructure £'000	Other including dilapidations £'000	Total £'000
Opening balance	671	—	203	874
Additions during the year	(18)	804	4	790
Amount used during the year	(236)	—	(53)	(289)
Unused amounts reversed during the year	(22)	—	(150)	(172)
Balance at 31 March	395	804	4	1,203

Provision was made in 2004/05 for the identified early retirement costs of staff leaving the College. During 2005/06 further provision has been made for the remaining costs of the senior management restructure which occurred during the year. The liability at 31 March 2006 is based on individual pension and redundancy entitlements and other related costs. These are expected to become payable in the two years 2006/07 and 2007/08.

Provision was also made in 2004/05 for the costs, including redundancy, early retirement costs and estimated reinstatement costs of redeeming the lease of the Cranfield premises as a result of the end of the three year funding of the Networked Learning Communities. The liability at 31 March 2006 is based on the dilapidations agreed with the landlord and the remaining pension and redundancy entitlements which are expected to be paid during 2006/07.

A further provision has been made in respect of anticipated dilapidation costs in respect of other leased premises.

## 15 Income and expenditure reserve

	2006 £'000	2005 £'000
At 1st April	(2,052)	754
Prior year adjustment (pension liability)	—	(1,768)
	(2,052)	(1,014)
Surplus for the year	1,102	4,216
Movement from SRGL	(679)	(5,254)
<b>Closing reserves</b>	<b>(1,629)</b>	<b>(2,052)</b>

## 16 Related party transactions

The College is a non-departmental public body and a company limited by guarantee. The guarantor is the Secretary of State for Education and Skills and thus is considered a related party. Grant in Aid income of £80,417,415 was received from the DfES during the year, of this funding £1,861,267 is held within deferred income at the year end and £2,000,000 was held in creditors and returned to the DfES in April 2006.

The College invoiced the DfES for a further £573,157 for reimbursement of expenditure and other services rendered. £122,986 of the invoiced income has been deferred and £15,000 invoiced income was accrued as at the year end.

The DfES invoiced the College for £33,990 to cover the costs of seconded staff and other activities (year end debtor £933). The DfES also invoiced the College a rental charge of £1,300,000 in respect of the Learning & Conference Centre.

The director T Mackay was paid £41,200 (year end creditor £3,750) for consultancy and facilitation services. Lent Rise Combined School, of which B Bigland, a director of the College, is the headteacher, received funding of £4,775, including £1,761 to cover costs for Governing Council meeting attendance (year end creditor £600).

The College paid £105,896 to Cambridge Education Associates (year end creditor £47,106). Linda Neal, a director of the College, was a divisional manager of this organisation.

The College requires staff to declare any potential purchases from suppliers with whom they may have a financial interest, prior to contracting. Where it is deemed acceptable for the purchase to proceed staff are not permitted to take any part in the contract negotiations with any related party.

The College paid £38,055 (year end creditor £120) to Mary Miles, spouse of Pete Anstey a member of the College Leadership Team until 30 November 2005.

The College paid £8,744 (year end creditor £2,411) to Goddard Payne Consulting Ltd. Gene Payne was a senior manager of the College until 31 March 2006.

The College paid £287,866 to Academy of Youth (year end creditor £18,025). Maggie Farrar, a senior manager of the College is a trustee of this charity.

The University of Nottingham is not a related party.

None of the governing council members, senior management personnel or other related parties have undertaken any material transactions with the College during the year, other than those noted above.

## **17 Grant payments made**

The College made £6.3m grant payments to support research and educational activity. Of these £1.9m went to bodies within the public sector, including schools, local education authorities and universities, this included £1.2m grant payments made by the Network Learning Group to school networks. A further £3.9m were Headteacher Induction Programme grants made to newly appointed headteachers to support their personal leadership development.

## **18 Material non-cash transactions**

There were no material non-cash transactions.

## **19 Financial performance targets**

The only financial performance target was to breakeven. This objective was met.



## 20 Operating lease commitments

At 31 March 2006, the College had annual commitments under non-cancellable operating leases falling due as set out below. The College retains the lease of the premises occupied by the National Remodelling Team but recharges all of these to the TDA.

	2006 Land and buildings £'000	2006 Other £'000	2005 Land and buildings £'000	2005 Other £'000
Within one year	94	—	107	—
In the second to fifth years inclusive	218	3	213	3
Balance at 31 March	312	3	320	3

## 21 Post balance sheet events

There were no post balance sheet events.

## 22 Pensions

The College operates a defined benefit staff pension scheme providing benefits based upon final pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Fund which is administered under the statutory framework of the Local Government Pension Scheme. The scheme is funded with assets held by trustees. The pension costs are assessed by a qualified actuary, on the basis of triennial valuations using the projected unit method.

The pensions costs are assessed every three years in accordance with the advice of a qualified independent actuary, the latest valuation is as at 31 March 2004. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004	
Actuarial method	Projected Unit	
Market value of assets at date of valuation	1,503m	
Proportion of members' accrued benefits covered by the actuarial value of the assets	73%	
Salary scale increases per annum	4.25%	
Pension increases per annum	2.5%	
	Past service	Future service
Investment returns per annum		
– pre retirement	7.35%	6.5%
– post retirement	5.6%	6.5%

In addition to the regular contributions of £684,609, to reduce the fund deficit reported by the 31 March 2004 actuarial valuation, the College made a £1m lump sum contribution to the fund and upon receipt of the actuarial statements accrued for a further £2m payment. The pension liability of £2,396,000 shown on the balance sheet is after applying FRS17 actuarial assumptions.

Contribution rates with effect from 1 April 2006	As a percentage of pensionable pay
– employers	9.8%
– employees	6.0%

## FRS 17

The following information is based upon the full triennial actuarial valuation of the fund as at 31 March 2004, updated to 31 March 2005 by a qualified, independent actuary.

	31 March 2006	31 March 2005	31 March 2004
Rate of inflation	2.9%	2.9%	2.8%
Rate of increase in salaries	4.65%	4.65%	4.3%
Rate of increase in pensions	2.9%	2.9%	2.8%
Discount rate	4.9%	5.4%	6.3%

The assets in the scheme (of which the College's share is estimated at 0.9%) and the expected rates of return were:

	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006 £'000	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005 £'000	Long-term rate of return expected at 31 March 2004	Value at 31 March 2004 £'000
Equities	7.0%	14,982	7.5%	9,811	7.5%	3,822
Government Bonds	4.3%	1,727	4.7%	2,139	4.7%	735
Other Bonds	4.9%	1,360	5.4%	713	5.5%	480
Property	6.0%	3,087	6.5%	2,217	6.5%	680
Cash/liquidity	4.50%	432	4.75%	310	—	—
Other	N/A	0	7.5%	310	4.0%	358
Total market value of assets		21,588		15,500		6,075

	2006 £'000	2005 £'000	2004 £'000
College's estimated asset share	21,588	15,500	6,075
Present value of scheme liabilities	(23,984)	(19,520)	(7,843)
Deficit in the scheme	(2,396)	(4,020)	(1,768)

<b>Analysis of the amount charged to the income and expenditure account</b>	2006 £'000	2005 £'000
Service cost	(1,150)	(1,110)
Past service gain (cost)	615	(400)
Curtailment loss	(831)	–
<b>Total operating loss</b>	<b>(1,366)</b>	<b>(1,510)</b>
<b>Analysis of net return/(loss) on pension scheme</b>	2006 £'000	2005 £'000
Expected return on pension scheme assets	1,038	680
Interest on pension scheme liabilities	(1,054)	(567)
<b>Net return/(loss)</b>	<b>(16)</b>	<b>113</b>
<b>Amounts recognised in the statement of total recognised gains and losses (STRGL)</b>	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	2,499	491
Experience losses arising on the scheme liabilities	(1,003)	(4,364)
Change in financial and demographic assumptions underlying the scheme liabilities	(2,175)	(1,381)
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b>(679)</b>	<b>(5,254)</b>
<b>Movement in deficit during year</b>	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(4,020)	(1,768)
Movement in year:		
Current service charge	(1,150)	(1,110)
Contributions	3,685	4,399
Past service costs	(216)	(400)
Net return/(loss) on assets	(16)	113
Actuarial (loss)/gain	(679)	(5,254)
<b>Deficit in scheme at end of year</b>	<b>(2,396)</b>	<b>(4,020)</b>

<b>History of experience gains or losses</b>	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on assets:				
Amount	2,499	491	488	(717)
% of scheme assets	12.8%	3.2%	8%	23.6%
Experience gains and losses on scheme liabilities				
Amount	(1,003)	(4,364)	—	—
% of scheme assets	4.2%	28.2%	0%	0%
Total amount recognised in statement of total recognised gains and losses				
Amount	(679)	(5,254)	159	(1,278)
% of scheme liabilities	2.8%	26.9%	2%	27.3%





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